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By Tony Capaccio

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(Bloomberg) -- A U.S. House panel that controls defense spending rejected a bid by the Obama administration to end Lockheed Martin Corp.'s presidential helicopter program.

The House Appropriations Committee's defense panel today recommended Congress add \$485 million to the military's fiscal 2010 budget to buy the first versions of the VH-71 helicopters.

About \$3.2 billion has been spent already on the program.

The panel also added \$560 million to buy a second engine for the Lockheed F-35 Joint Strike Fighter. The engine would be built by Fairfield, Connecticut-based General Electric Co. and Rolls-Royce Group Plc.

Both actions reverse decisions made by Defense Secretary Robert Gates. President Barack Obama has threatened to veto any budget bill that includes money to buy additional F-22s, and he said the VH1-helicopter is

an example of a program "gone amok";

The panel's recommendation on the presidential helicopter must be approved by the full appropriations committee and the Senate has yet to consider its version of this fiscal 2010 military spending bill.

The House panel met today in closed session. Its decisions were announced by the chairman, Democrat John Murtha of Pennsylvania.

"Get Something";

"We've got to get something out of" the \$3.2 billion already spent, Murtha told reporters. "The president's got to have new helicopters," he said. "I think this is one the White House might back down on."

The \$485 million will be used to complete testing of the first five VH-71s that have been delivered and outfit them with communications and protection equipment so they can be in use in about 18 months. Murtha said \$485 million should be enough to do this.

The VH-71 presidential helicopter program was formally terminated in May. Today's action to revive it is another effort by Congress to reverse major spending decisions that Gates announced in April.

The House, in a separate spending measure that sets defense policy and authorizes defense spending, added \$369 million for a down payment on 12 more F-22s and \$603 million for the second engine for the Lockheed F-35. Murtha's panel also included the \$369 million.

Senate Authorization Bill

The defense authorization measure now before the full Senate includes \$1.75 billion to buy seven more F-22s and \$438.9 million for backup engine, funding added by its armed services committee.

Neither the authorization bill passed by the House nor the measure now before the Senate includes money to continue the presidential helicopter program.

The budget bill the Senate is now considering sets defense policy and authorizes spending. The money itself is approved in a separate appropriations measure.

Bethesda, Maryland-based Lockheed, the world's largest defense contractor, won a contract valued at more than \$6 billion in January 2005 to build the 28 helicopters, including eight test aircraft. They would have replaced the fleet of 19 helicopters, some of which are 40 years old.

Cost Doubled

Lockheed's contract, originally valued at \$6.5 billion, was canceled after the cost doubled to \$13 billion. In addition, the fleet wouldn't have been fully operational until 2021, more than six years behind schedule, partly because of changing specifications.

Lockheed this week notified workers at its Owego, New York VH-71 plant that 600 would be let go.

Asked about today's House panel action, Lockheed spokesman Troy Scully said "we will not know the ultimate outcome until later this year, when both the Senate and House approve a budget bill and the President signs it."

“In the meantime, we are complying with the program termination order as directed by our customer,” Scully said.

In a victory for Gates, Murtha said his panel suggests but doesn’t direct the Defense Department to split the contract for a new fleet of aerial refueling tankers between Chicago-based Boeing Co. and Los Angeles-based Northrop Grumman Corp.

Gates strongly opposes this strategy.

“I wanted to put in language” that dictated a split and “believe that is still the answer, yet they rejected that so I leave it up to them,” Murtha said.